



Ministry
of
Revenue

Bud Gregory
Minister

T.M. Russell
Deputy Minister

Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

Number 1 - 84

Date: June 1984

Government
Publications

CAZEN

RM

- R28

This bulletin provides information on the Temporary Refund Program for out-of-province visitors on transient accommodation as announced by the Treasurer of Ontario in the Budget of May 15, 1984. It also outlines some recent changes to the Retail Sales Tax Regulations and provides clarification in other areas of the legislation.

If you require further information, please contact your local Retail Sales Tax Office listed on the back page of this bulletin.

The details presented in this bulletin are intended only as a guideline. For specific applications you should refer to the Retail Sales Tax Act.

INFORMATION HIGHLIGHTS

- TRANSIENT ACCOMMODATION — TEMPORARY REFUND PROGRAM FOR VISITORS
- PRODUCTION MACHINERY — EXEMPTION
- NEWSLETTERS AND BULLETINS — EXEMPTION
- CANCELLATION CHARGES — RENTAL OR LEASE CONTRACTS
- FIXED PRICE CONSTRUCTION CONTRACTS
- PRINTED MATTER PRODUCED FOR OWN USE
- SALES TAX GUIDES
- RETAILERS OF TOBACCO PRODUCTS



TRANSIENT ACCOMMODATION — TEMPORARY REFUND PROGRAM FOR VISITORS

As a temporary measure to promote tourism in Ontario, visitors to the province will be eligible to apply for a refund of the 5% retail sales tax paid on transient accommodation during the period May 16, 1984 to December 31, 1984 inclusive.

The tax paid for the billing day commencing any time on May 15, 1984 and the billing day ending January 1, 1985 will be refunded. The tax paid for the billing day commencing January 1, 1985 will not be refundable.

American Plan and Modified American Plan

Some establishments providing transient accommodation operate under the American Plan or the Modified American Plan. Under these Plans, the purchaser is charged a single rate for both accommodation and meals.

Also effective for the period May 16, 1984 to December 31, 1984 inclusive, a partial tax refund will be allowed on American Plan and Modified American Plan charges. The refund will apply only to the tax paid on the accommodation portion of the plan determined by the following formulae:

Type of Plan	Tax Refundable
Accommodation and 3 meals	3% of total charge for meals and accommodation
Accommodation and 2 meals	3.5% of total charge for meals and accommodation
Accommodation and 1 meal	4% of total charge for meal and accommodation

Visitors may submit a refund claim by completing the application in the pamphlet "Ontario, Yours to Discover" published by the Ministry of Tourism and Recreation. The pamphlet is available at all retail sales tax offices and tourist information centres as well as major retail stores, hotels and motels. If difficulty is encountered in obtaining pamphlets, call the Ministry of Revenue's Information Centre toll free from anywhere in Ontario:

- In Metro Toronto — dial 965-8470
- In Area Code 807 — ask the operator for Zenith 82000
- In Area Code 416 — dial 1-800-263-7700
- In all other areas — dial 1-800-263-3960



PRODUCTION MACHINERY — EXEMPTION

Effective May 11, 1983, the Ontario sales tax exemption for the purchase of production machinery by manufacturers was broadened to parallel the exemption provided by the Federal Excise Tax Act (Canada). In most cases, Ontario exempts the same type of production machinery and equipment that is exempt under Part XIII of Schedule III to the Excise Tax Act (Canada). Ontario will *not* exempt production machinery or equipment that is excluded from the federal exemption under Part XIII of Schedule III. In addition, Ontario does not exempt licensed vehicles, unless exempt under Section 5(1)70 of the Retail Sales Tax Act.

To be eligible for the broadened Ontario sales tax exemption for production machinery, you *must qualify* as a manufacturer provincially. Ontario has not adopted the federal concept of a manufacturer, nor the federal treatment of small or marginal manufacturers.

Who is a Manufacturer?

Effective May 11, 1983 Ontario defines a manufacturer as follows:

“a person who manufactures, fabricates, produces or assembles tangible personal property for sale, where the fair value of such tangible personal property sold to others exceeds \$5,000, or where the fair value of such tangible personal property manufactured for that person's own use exceeds \$50,000, in the fiscal year . . .”.

The federal definition of manufacturer or producer includes persons who perform “marginal manufacturing” operations. These persons do not qualify for the Ontario sales tax exemption for production machinery *unless* they meet the provincial definition of a manufacturer.

Exempt Items

If you meet the requirements to qualify provincially as a manufacturer, you can purchase exempt the items described in the following condensed version of Part XIII of Schedule III of the Excise Tax Act (Canada):

- machinery and apparatus for:
 - i) the manufacture or production of goods
 - ii) development of manufacturing/production processes
 - iii) development of goods for manufacture
- machinery for control of pollutants attributable to the manufacture or production of goods
- equipment to carry away waste or refuse from production machinery
- safety devices to prevent accidents in manufacturing or production of goods
- off highway mine and quarry self-propelled trucks mounted on rubber tired wheels
- internal combustion tractors, other than highway truck tractors, used exclusively in logging operations to include log removal from stump to dump, skidway or carrier
- logging wagons and sleds
- logging cars, machinery, cranes, block and tackle, wire rope, etc. for use in operations to include log removal from stump to dump, skidway or carrier
- pipes or tubes, “oil country goods”, wire rope, drilling bits, etc. for use in exploration or development of petroleum, natural gas or mineral
- repair and maintenance equipment for use by manufacturers in servicing any of the above
- parts for goods listed above
- drilling mud and additives
- geophysical surveying precision instruments and equipment for exclusive use in prospecting, or for geophysical studies for engineering projects

Remember you must qualify as a manufacturer under the Retail Sales Tax Act to obtain exemption on the above. Registration as a manufacturer with the Federal Government does not provide automatic exemption.

Repairers

A repairer is not a manufacturer. The act of repairing an item restores it to the original or intended state or running order.

Persons engaged in providing repair services do not fall within the category of a manufacturer and are NOT entitled to any exemption afforded to production machinery under Act 5(1)45.

If you have further questions, or a specific instance that requires discussion, contact the retail sales tax office closest to you, listed on the back page.



NEWSLETTERS AND BULLETINS — EXEMPTION

The definition of an exempt newspaper will be amended to include newsletters and bulletins that do not contain advertising and are published regularly at stated intervals i.e. weekly, bi-monthly, monthly, quarterly, etc. Accordingly, employee newsletters and club information bulletins that meet these requirements may now qualify for exemption.

This amendment will be retroactive to May 14, 1982. A refund may be claimed for tax paid in error on exempt newsletters and bulletins. The claim must be submitted within three years from the date of tax payment.



CANCELLATION CHARGES — RENTAL OR LEASE CONTRACTS

For retail sales tax purposes, a rental or lease of an item is considered to be a sale and purchasers are required to pay tax on the fair value of the item. In other words, if a person is required to pay tax on the purchase of the item, such as a television or automobile, tax would also apply if the person prefers to rent or lease the item.

When an item is purchased, tax is payable on the full purchase price.

When an item is rented or leased, tax is payable on each monthly payment and any payment made that represents cancellation or termination charges. These charges are the final rental or lease payment and form part of the fair value of the item rented.

FIXED PRICE CONSTRUCTION CONTRACTS

Where a contractor entered into an *irrevocable fixed price or lump sum* construction contract prior to May 14, 1982, that was exempt under the Retail Sales Tax Act, the tax that must be paid on purchases on or after that date may be refunded.

For the purpose of this refund, a fixed price or lump sum contract means a contract not having a provision allowing for any increase/decrease in the contract price for any reason except for change orders added subsequent to the original contract.

Contracts containing a clause to allow for an increase or decrease in the contract price due to changes in duties or taxes payable by the contractor or sub-contractors are not fixed price or lump sum contracts. Any tax paid on purchases made on or after May 14, 1982 for such contracts do not qualify for the tax refund.

PRINTED MATTER PRODUCED FOR OWN USE

A person who produces printed matter for own use with a fair value in excess of \$50,000 per year (\$5,000 prior to May 11, 1983) is a manufacturer of printed matter under the Retail Sales Tax Act. In this case, the person is required to remit retail sales tax at 7% on the manufactured cost of all taxable printed matter produced.

The following persons and institutions are not considered to be manufacturers regardless of the value of printed matter produced:

- accountants, barristers, solicitors, notaries, engineers or architects who produce printed matter in rendering their professional services
- public hospitals, schools or universities

In this case, tax is payable only on the cost of materials.

The manufactured cost of taxable printed matter may be determined by either of the following methods:

- actual costs including materials, direct labour, manufacturing overhead and federal sales tax paid or payable
- special formula (revised January 1, 1983)

The revised formula requires separate cost calculations for artwork and for other imaged articles. If these items were purchased the costs are based on their purchase price. If these items were fabricated by the manufacturer in-house, the costs are the produced costs which may be either the actual costs or based on the following formulae:

a) Artwork Formula

The labour cost for producing artwork is valued at \$20 per man hour.

Example A:

Cost of Artwork Materials (excluding all taxes)	\$200
Cost of Labour (30 man hours × \$20)	600
Value of Artwork Produced	<u>\$800</u>

b) Other Imaged Articles Formula

The factory overhead cost for producing imaged articles is valued at 150% of the direct labour cost.

Example B:

Cost of Materials (excluding all taxes)	\$ 101
Direct Labour	400
Overhead (150% × direct labour)	600
Value of Imaged Articles Produced	<u>\$1,101</u>

Revised Printing for Own Use Formula

After establishing a value for artwork and other imaged articles, the manufactured cost of printed goods may be computed by adding to the cost of artwork, other imaged articles and other printing materials, the value of direct labour and factory overhead calculated at 220% of the cost of other printing materials. The applicable federal sales tax must be added to the manufactured cost before calculating Ontario sales tax.

Example C:

Artwork (See Example A)	\$ 800
Other Imaged Articles (See Example B)	1,101
Other Printing Materials (paper, ink, binding materials, etc.)	\$ 6,000
ADD 220% of other Printing Materials (excluding all taxes)	<u>13,200</u>
	19,200
	<u>\$21,101</u>
ADD Federal Sales Tax (if applicable)	1,899
TOTAL Manufactured Cost before Ontario Sales Tax	<u>\$23,000</u>

Ontario Sales Tax payable = 7% × \$23,000
= \$1,610

The value of artwork or other imaged articles is included only once in calculating the manufactured cost of printed matter. If the artwork or other imaged articles are reused, their value is excluded in calculating the manufactured cost of any additional printing.

It should be noted that the above formulae are used only as an alternative when actual manufacturing labour and/or overhead cost are not available. The method chosen to arrive at the manufactured cost must be used consistently.



SALES TAX GUIDES

The following is a list of Ontario Sales Tax Guides currently available at your local Retail Sales Tax Office. The latest date of each guide issued is also shown. If you have a guide that is not listed here or is not current, it should be destroyed.

Guide No.	Date Issued	Topic	Guide No.	Date Issued	Topic
100	6/83	Do You Need a Vendor's Permit	128	9/82	Rentals
101	12/83	How to Complete Your Tax Return	129	9/82	Delivery Charges
102	9/82	Settler's Effects	130	6/83	Recreational Facilities
103	6/83	Vendor Responsibilities	131	9/82	Tax Refunds: Religious, Charitable and Benevolent Organizations
104	8/83	Purchase Exemption Certificates	132	10/83	Motor Vehicle Transfers
106	12/83	Retail Sales Tax Refunds	133	9/82	Diplomats
107	1/83	Trappers and Commercial Fishermen	134	1/83	Non-Resident Contractors
108	9/82	Imported Goods	135	9/82	Animals and Pets
113	9/82	Real Property and Fixtures	136	9/82	Florists and Nurseries
114	9/82	Destruction of Records	137	9/82	Flea Markets
115	9/82	Automotive Repairers	138	9/82	Books and Magazines
117	9/82	Private Sales	140	9/82	Children's Clothing and Footwear
118	6/83	Vehicle Tax Refunds for the Physically Handicapped	141	6/83	Hospitals
119	1/83	Food Products	143	9/82	Religious, Charitable and Benevolent Organizations
120	12/83	Labour Charges	144	12/83	Photographers
121	9/82	Prepared Foods	145	1/83	Flooring Materials
122	12/83	Snack Foods and Candies	146	3/83	Discount Coupons
123	9/82	Tax-Included Pricing	147	7/83	Farmers
124	9/82	Accommodation	148	9/82	Newspapers and Supplements
125	9/82	Alcoholic Beverages	149	9/82	Status Indians
126	12/83	Admissions			
127	9/82	Exempt Items for the Disabled			

RETAILERS OF TOBACCO PRODUCTS

- It is your responsibility to ensure that your supplier of cigarettes and other tobacco products, holds a valid tobacco permit issued to all wholesalers of tobacco products by the Ministry of Revenue.
- This wholesaler's permit number must be displayed on all invoices and correspondence.
- For further information, call the Motor Fuels and Tobacco Tax Branch collect at (416) 433-6340 or 433-6395.

FOR FURTHER INFORMATION CONSULT THE RETAIL SALES TAX OFFICE IN YOUR AREA,
AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108 Zenith 37100	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 325-9587 Zenith 37100	THUNDER BAY P7C 5G6	Ontario Government Bldg. 435 James Street South P.O. Box 5000 475-1681 Toll Free: 1-800-465-6903
HAMILTON L8N 3Z9	119 King Street West P.O. Box 2112 521-7504 Toll Free: 1-800-263-9229	OSHAWA L1H 8K1	33 King Street West P.O. Box 629 433-6240 Zenith 37100	TORONTO M4P 1H6	2300 Yonge St. 10th Floor 487-1361
KITCHENER N2M 1N2	449 Belmont Ave. W. 576-8400 Toll Free (519) Area: 1-800-265-8700 Toll Free (705) (416) Areas: 1-800-265-2303	OTTAWA K1H 8K7	1355 Bank Street 523-9760 Zenith 71400	WELLAND L3B 3Z7	76 Division Street 732-1318/9 Toll Free: 1-800-263-9238
LONDON N6C 4P4	310 Wellington Rd. S. 433-3901 Toll Free: 1-800-265-1540	PEEL L4Z 1H8	2 Robert Speck Parkway Suite 350 Mississauga 273-9490 Toll Free: 1-800-268-2968	WINDSOR N9A 6V9	250 Windsor Ave. 252-4404 Toll Free: 1-800-265-1540
NORTH BAY P1B 2H3	1500 Fisher Street Northgate Plaza 474-4900 Toll Free: 1-800-461-1564	SUDBURY P3E 5P9	Ontario Government Bldg. 199 Larch St. 675-4351 Toll Free: 1-800-461-1564		

Pour obtenir cette publication en français, veuillez communiquer avec votre bureau régional de la Taxe de vente au détail.